SaskTel

THE BUSINESS OF

COMMUNICATION

STARTS WITH THE

ABILITY TO LISTEN

92-05677/

Contents

2 President's report
6 Positioned for opportunity
8 Bringing new services to the marketplace
12 The growth of wireless technology
14 Innovative services
14 Committed to excellence in education
18 Moving ahead globally
20 Financial review
32 Corporate directory

On the cover

SaskTel is working with customers throughout the province to harness the power of an increasingly intelligent network to provide superior communications solutions. During 1991 many of our customers applied the latest computer-driven technologies to help make their business operations more efficient and their personal lives easier. This year's annual report features SaskTel customers using new products and services that make the telecommunications network more valuable than ever before.

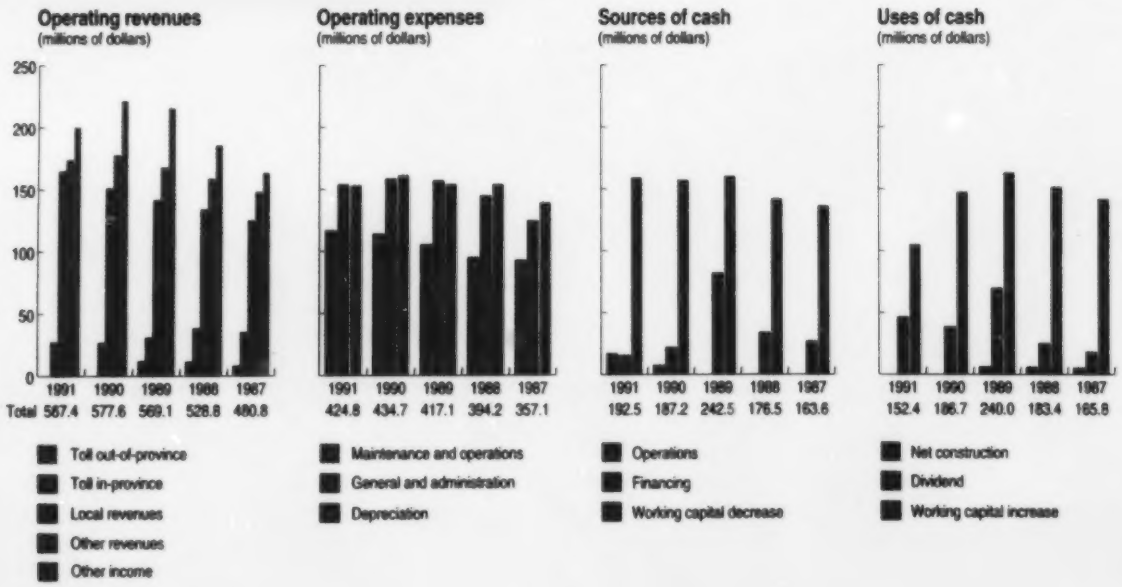
Corporate profile

Saskatchewan Telecommunications (SaskTel) is the provincially owned crown corporation responsible for providing local and long distance voice, data, image and text services to the people of Saskatchewan. Through its membership in Stentor (formerly Telecom Canada), an alliance of Canada's major telecommunications companies, SaskTel provides a full range of national and worldwide long distance communications services.

The corporation employs 4,000 people; the majority located in Regina (head office) and Saskatoon. Employees are also located in more than 60 other communities throughout the province.

SaskTel is a technological leader in the telecommunications industry providing advanced telecommunications services to more than 447,000 residential and business customers. The customer-focused corporation responds quickly to diverse customer needs for efficient, reliable information products and services. It provides an ever increasing number of superior-quality, affordable services to expand communications choices by applying the latest technological advances in the most economical way.

Financial highlights



The residential market is an important part of the telecommunications business. In keeping pace with changing customer lifestyles, SaskTel continued to extend the availability of the latest custom calling services in 1991. One of the most popular new services, call display, shows the number of the incoming call. Besides being a convenient feature, call display has helped to dramatically reduce annoyance calls.

"It's nice to know who's calling and I like the feature on my Maestro phone that lets me know who called while I was away," says Melanie Scheuer, who is attending the University of Saskatchewan.

President's report

In 1991 SaskTel continued to steer a steady course in a challenging environment. In recent years, competition has brought significant change to the telecommunications marketplace in Saskatchewan. Where once SaskTel was virtually a monopoly service supplier, today there is growing competition in terminal attachment and network services.

Staying ahead of the competition

For the past few years, however, SaskTel has been preparing for a more competitive marketplace. Consequently, SaskTel already has two key strategic advantages.

The first is that we have one of the world's most advanced telecommunications systems. At year end, 92% of SaskTel's network access lines were served by computer-driven digital switching systems and fully 95% of its transmission systems were digital. By 1994 SaskTel will achieve its goal of becoming one of the first telecommunications companies in North America to have a 100% digital telecommunications system.

Second, and equally as important, is that we have the people who are the best in their field of transforming these complex technologies into services our customers need to increase their productivity and operate more effectively.

In the few months that I have been at SaskTel, I have found our employees to be dedicated, hardworking individuals who are constantly looking for new ways to improve service to our customers. SaskTel employees are genuinely committed to introducing new products and services that meet the ever-changing needs of the customers we serve. In the years ahead, we will continue to improve the capacity and flexibility of our network, and to diversify our sources of revenue by introducing products and services that make customers' lives easier and businesses more efficient.

Solid financial position

I am pleased to report that SaskTel's net earnings for 1991 were $51.0 million, up from net earnings of $46.9 million the previous year. However, I must also report that, for the first time since SaskTel became a crown corporation in 1947, the company's operating revenues decreased. The slight decline was primarily the result of toll rate reductions, and, to a lesser degree, of the economic slow-down in Saskatchewan and across the country.

SaskTel continues to remain in a solid financial position. Fortunately, the telecommunications business has a history of weathering recessionary periods better than most other industries.

Throughout the year, the corporation intensified its cost-control efforts. The streamlining of day-to-day operations continued, as did employee participation in the highly successful earnings improvement program. As part of overall plans to reduce costs and operate more efficiently, SaskTel offered an enhanced retirement program to long-term employees. A total of 118 people took advantage of the program during the year and 105 more employees are eligible to participate in the 1992 portion of the program.

Unitel/B.C. Rail/Lightel applications

It is expected that sometime in 1992 the CRTC will announce its decision on the Unitel/B.C. Rail/Lightel applications to gain entry to the long distance public switched network. If the decision goes against the status quo, it is almost certain to open the way for intense competition in the long distance segment of our business, historically the most important single source of revenue for SaskTel.

There are three major reasons why SaskTel and the Saskatchewan government are opposed to the Unitel/B.C. Rail/Lightel applications. The first is that the applications are essentially requests for subsidized competition and not true or fair competition by any recognized definition. Second, if the applications are approved as proposed, there will be a negative impact on more than 90% of Saskatchewan's residential and business customers. An independent study, for example, concluded that local rates would have to rise by as much as 167% in rural areas to compensate for the shortfall in long distance revenues.

And third, revenue losses and inherent inefficiencies of the proposals will impair SaskTel's ability to maintain the high quality of service and technical superiority that Saskatchewan people currently enjoy.

National Telecommunications Act

At year end, the federal government was planning to introduce a bill that, if passed, will effectively bring SaskTel, a provincially owned telecommunications company for more than 83 years, under federal regulation. SaskTel, the provincial government, and the vast majority of Saskatchewan residents are strongly opposed to the new bill since it could ultimately lead to higher rates and the erosion of service as a result of the imposition of CRTC regulatory decisions. In SaskTel's view, the future needs of its customers will be much better served by a responsive crown corporation and elected representatives than by a federal regulator.

If passed into law, the new bill could be used to force competition on SaskTel that is not in the best interests of Saskatchewan telephone users. Federal regulation of SaskTel would also mean the imposition of additional costs and bureaucratic encumbrances. It has been estimated that the additional expense will be in excess of $6 million per year, which includes added staff, costs of hearings, expert witnesses and some $750,000 in charge-back fees assessed by the federal regulator.

In addition, virtually every major action by SaskTel, including all rates and prices, new products, corporate initiatives, rates of return and new construction will require CRTC approval, severely limiting the corporation's ability to respond quickly and effectively to changes in the Saskatchewan marketplace.

Delivering quality, dependability and value

Despite the challenges offered by increased competition and possible new forms of regulation, SaskTel continues to deploy the latest technological advances in digital, fiber and wireless technologies. The application of these new technologies will provide the cost-effective products and services that help our customers operate successfully in a competitive global marketplace.

SaskTel is harnessing the power of an increasingly intelligent network – the transparent electronic highways that bring people and information together – and delivering quality, dependability and value every step of the way.

Marcel Bernard

Marcel Bernard
President and Chief Executive Officer

Letter of transmittal

Regina, Saskatchewan
March 27, 1992

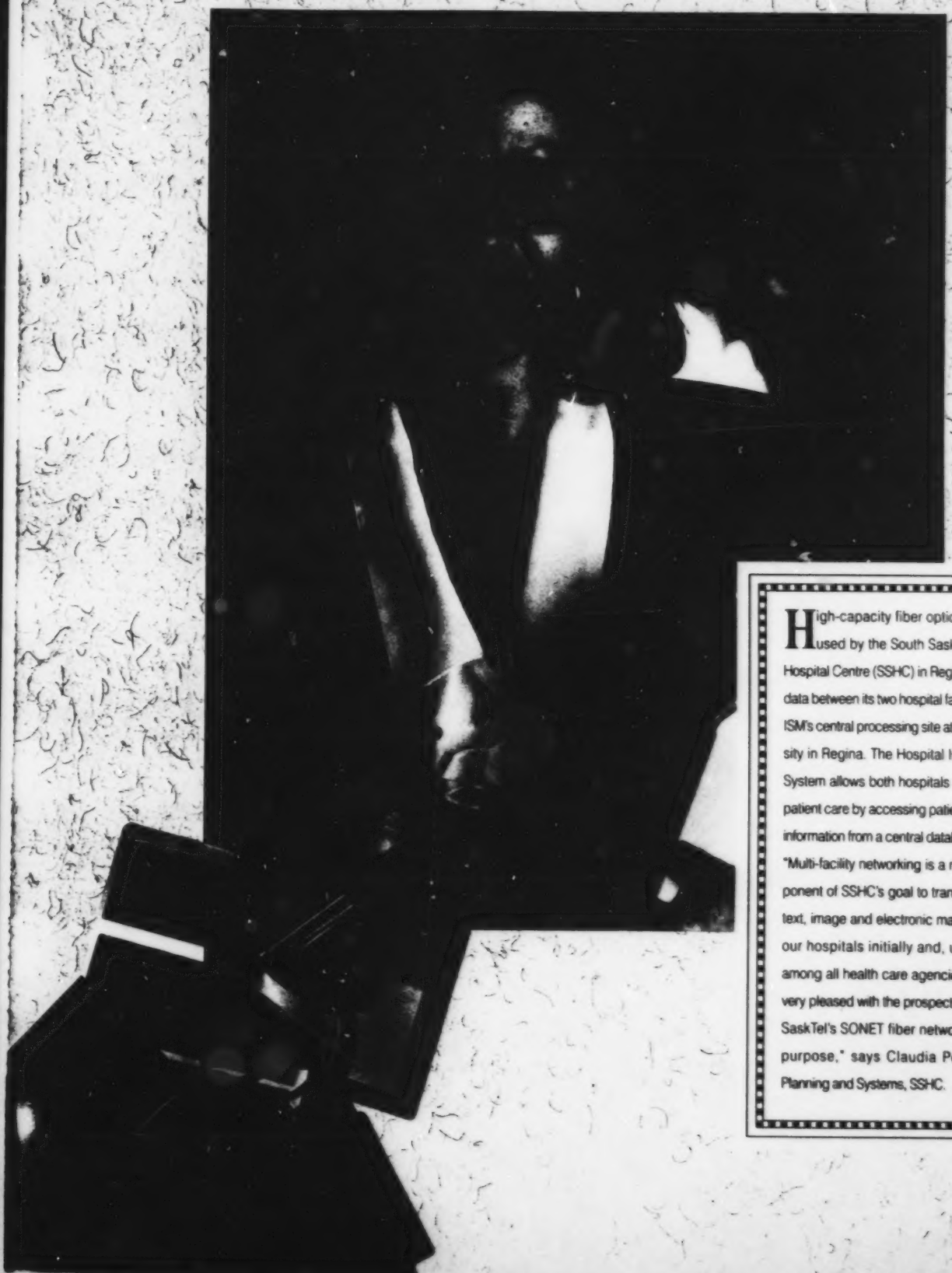
To Her Honour
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the
Province of Saskatchewan

Dear Lieutenant Governor:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1991, including the financial statements, duly certified by auditors for the corporation, and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Telecommunications Act.

Respectfully submitted,

Hon. Carol Teichrob
Minister Responsible for
Saskatchewan Telecommunications



High-capacity fiber optic rings are used by the South Saskatchewan Hospital Centre (SSHC) in Regina to send data between its two hospital facilities and ISM's central processing site at the university in Regina. The Hospital Information System allows both hospitals to improve patient care by accessing patient medical information from a central database.

"Multi-facility networking is a major component of SSHC's goal to transfer voice, text, image and electronic mail between our hospitals initially and, ultimately, among all health care agencies. We are very pleased with the prospect of utilizing SaskTel's SONET fiber network for this purpose," says Claudia Petryshen, Planning and Systems, SSHC.

The transparent network

Most of us think of the telephone company only when the SaskTel bill arrives in the mail each month. Of course, it is true that SaskTel is Saskatchewan's telephone company. However, it is becoming more and more the case that when we use the phone or send a fax we are buying different levels of service from a network of suppliers.

SaskTel, the recipient of your bill payment, is the only company that handles your local and long distance calls within Saskatchewan on the public switched network. But if your long distance call is to a location overseas, it is handled by several of the nine other major telephone companies in Canada, Teleglobe Canada, and the local overseas telephone company. When that happens, the network is "transparent to the customer." For you, the customer, the important thing is that your call is completed quickly and reliably.

Today, SaskTel's customers can take the transparent network for granted. However, in the 1990s SaskTel's emphasis goes far beyond providing customers with basic service that is economical and dependable. For SaskTel employees, the focus is on delivering sophisticated new features that make telecommunications more valuable and efficient for business customers and consumers. SaskTel's goal is two-fold: to deliver high-quality, low-cost solutions that meet each and every customer's communications requirements; and to provide a network that has the flexibility and capacity to respond quickly and effectively to meet our customers' future demands.

Positioned for opportunity

Changing customer needs, new products and services, increasing competition and regulatory decisions will continue to shape the Saskatchewan telecommunications marketplace in the coming years.

Building on its long tradition of quality, service and dependability, SaskTel will strive to remain the customer's first choice in the increasingly competitive marketplace. The corporation will continue to introduce innovative, cost-effective products and services to meet each customer's particular communications needs. To enhance customer satisfaction, SaskTel will employ the best technology available to provide superior value compared to the competition.

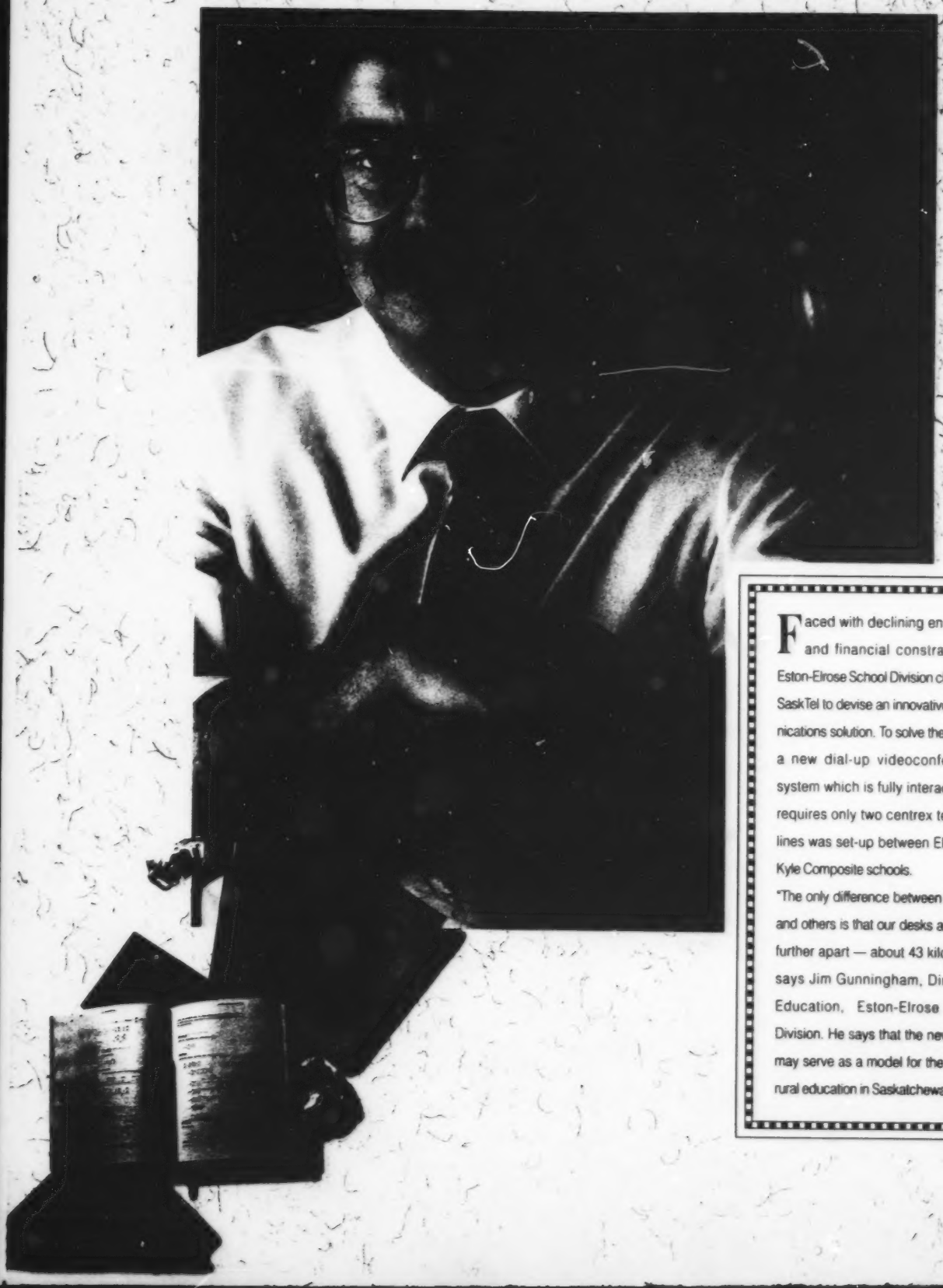
Skilled and dedicated employees are the driving force behind SaskTel's success. Without their energy and commitment, the most carefully developed strategies and most advanced technologies would fall short of the mark. For this reason, the corporation has increased emphasis on training and re-training programs to help create a working environment that encourages employees to make valuable contributions toward improving customer service and strengthening the bottom line.

In both competitive and non-competitive areas, SaskTel has placed renewed emphasis on quality. To improve customer satisfaction and stay ahead of the competition, employees are being empowered with the tools and the authority to get the job done right, all the time, every time.

At year end, SaskTel was nearing completion on a number of major upgrading programs. These capital-intensive projects are laying the technical groundwork for a new generation of innovative services that will help create competitive advantages for business customers and offer greater choice to our residential customers.

Value-added services

SaskTel's long-term program to upgrade its network to computer-based technology was on schedule as 1991 drew to a close. At year end, 92% of SaskTel's network access



Faced with declining enrollments and financial constraints, the Eston-Elrose School Division challenged SaskTel to devise an innovative communications solution. To solve the problem, a new dial-up videoconferencing system which is fully interactive and requires only two centrex telephone lines was set-up between Elrose and Kyle Composite schools.

"The only difference between our class and others is that our desks are slightly further apart — about 43 kilometres," says Jim Gunningham, Director of Education, Eston-Elrose School Division. He says that the new system may serve as a model for the future of rural education in Saskatchewan.

lines were served by digital switching systems and 95% of the province's transmission systems were digital. By 1994, SaskTel will achieve its goal of being the first telecommunications company in Canada to have an all-digital network in place.

Building one of the world's most technologically advanced networks enables the corporation to introduce and expand affordable information age services to both residential and business customers. The on-going deployment of the latest cost-effective technology will also provide the capacity, flexibility and reliability necessary to satisfy the voice and data communications needs of our customers in the years ahead.

SaskTel provides a wide range of products and services designed to meet virtually every communications requirement — from basic single-line residential service to the far more complex high-speed data needs of large businesses, governments and institutions. A host of flexible service options available with centrex systems, network-based WATS and 800 service can be tailored to meet the specific communications needs of each business. Innovative long distance discount plans such as Teleplus and Advantage are also available.

SaskTel's investment in new technologies has also contributed to lower operating and maintenance costs. These savings have been passed onto customers in a series of long distance rate reductions over the last few years, including two in 1991. The cumulative impact of these reductions is significant. Since 1987, for example, the longest mileage rate for calls from Saskatchewan to other Canadian destinations has fallen from $1.10 to 48 cents per minute, a decrease of more than 56%. In 1991 alone, the cost of out-of-province long distance calls decreased by an average of 30%.

At year end, work was under way to restructure telecommunications rates to more accurately reflect the cost of providing service and to position the company for future competition. While the cost of some services, such as installation and monthly rental, will increase, the cost of long distance calls over 100 miles within the province will decrease by as much as 18%. Even with these changes, scheduled to take effect on March 1, 1992, local telephone service will continue to be subsidized at a rate of about 80% of its actual cost.

1991 was the first full year of SaskTel's innovative 40/40 plan which ensures that the majority of rural customers have reasonable access to basic support and emergency services. The first of its kind in North America, the plan extends the scope of basic service by providing 40 minutes a month of free direct-dialed calling within a 40-mile radius of each customer's home telephone exchange.

Bringing new services to the marketplace

Many of the products and services introduced in recent years help to create competitive advantages for Saskatchewan businesses by reducing costs, improving efficiency and increasing profits. It's the edge businesses need to operate successfully in the global marketplace and to lessen the impact of the current recession.

A second generation of custom calling services, first introduced at Lloydminster in late 1990, were available to customers in every city and several smaller communities by the end of 1991. Call display, call trace and call return meet today's need for enhanced security and convenience.

In 1991 SaskTel became the first telecommunications company in Canada to network these custom calling services between communities.

Wireless communications is helping to revolutionize not only the way people communicate, but how they conduct business. With the introduction of cellular fax machines, customers such as Image Cable of Yorkton are able to fax work orders to their service vehicles which, in turn, relay customer contracts back to head office. Currently Image Cable has portable fax machines in vehicles located in Indian Head, Carlyle and Saskatoon.

"The new portable fax units have definitely helped us improve customer service," says Kim South, General Manager of Image Cable.

The most popular new feature, call display, shows the number of the incoming call before the telephone is answered. The introduction of call display, call trace and call return, made possible through advanced digital switching systems, have dramatically reduced the number of annoyance calls. In Saskatoon, for example, the number of harassing and obscene calls reported during 1991 dropped by almost 60% over the previous year.

The introduction of these latest custom calling services throughout the province is rapidly transforming the telephone into a more powerful and valuable communications tool than ever before.

A new network-based service arrived in a big way in Saskatchewan in 1991. The MessageManager voice mail service transcends the capabilities of the traditional answering machine and lets customers with touch-tone telephones send and receive messages with a wide range of options. One of the most popular features is the ability to send the same message to virtually any number of recipient voice mail boxes.

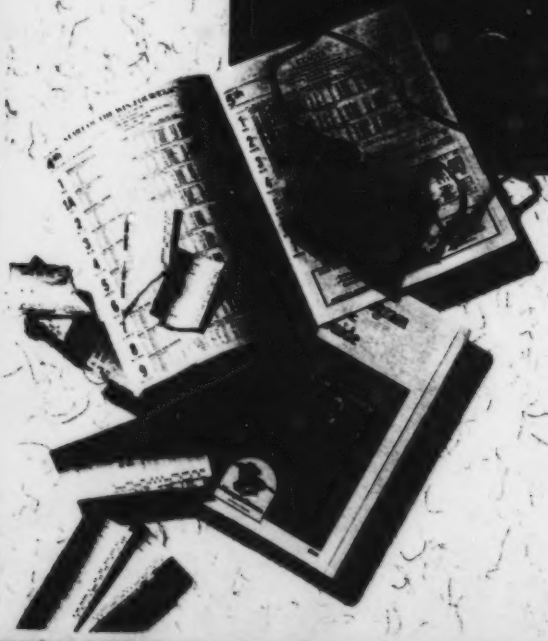
Demand for the service is high, attracting a diverse range of customers that includes Kraft Foods, TD Bank, Honeywell and a large number of smaller businesses. In January, the service that eliminates telephone tag became available to centrex customers. By year end, MessageManager was available to residential and single-line business customers in four Saskatchewan cities. Expansion to the remaining cities is scheduled to take place in 1992, and to virtually all other telephone customers in the province by the end of 1993.

Improving the delivery of customer service

For a company to remain successful it must have a clear understanding of its customer needs and deliver solutions that are better and more economical than those of its competitors. At SaskTel, this is being accomplished by focusing on customer opinions and by providing employees with all the customer service, sales and technical information they need to help customers make informed decisions. Listening to customers, and meeting or exceeding their expectations, has become more crucial than ever before as competition in both terminal attachment and network services continues to increase.

Equally important to harnessing the latest technology to add value to people's personal and professional lives is ensuring that SaskTel provides customers with the highest possible quality of service. Quality is the key to achieving sustained excellence over time in satisfying customer needs. To that end, a number of important changes took place in 1991, improving service delivery and increasing the level of customer satisfaction:

- SaskTel became the first telecommunications company in Canada to implement a new digital technology, known as common-channel signalling, on a province-wide basis. This advanced signalling system makes it possible to economically deliver a number of new services such as automated calling card services, enhanced 800 service, custom calling services, and centrex feature networking.
- A growing number of switching systems throughout the province have been modified to allow service representatives to provide virtually instant service connection for customers. In addition, many custom calling services can now be provided to customers the same day they are requested.
- Fiber optic ring networks have dramatically increased the capacity and reliability of service to major downtown businesses in Regina and Saskatoon. Besides protecting against service disruptions, through alternate routing, the



Introduced in the spring of 1991, Teletheatre wagering accommodates off-track betting from patrons in numerous smaller Saskatchewan centres on horse races at both Marquis Downs in Saskatoon and Queensbury Downs in Regina. Racing is broadcast live to the remote locations by satellite with wagers and results carried between locations over SaskTel's Dataroute network.

"We've experienced a tremendous increase in the volume of our business since the system was implemented," says Curtis Linnell, Racing Administrator at Marquis Downs (Saskatoon Prairieland Exhibition Corporation).

digital system's large bandwidth allows customers to transmit high-speed data and has the capability to economically carry full-motion video signals.

- A new computerized system is being used by marketing staff to instantly access a business customer's toll history. An analysis of the history quickly determines the most economical discount plan that will meet the customer's needs.
- Another new system, which keeps track of installation and repair costs, has made it possible for SaskTel to offer its major business customers more flexible maintenance contracts, custom-tailored to their specific needs.
- A newly developed on-line product catalogue greatly reduces the time it takes to calculate the cost of a specific telecommunications system.

The growth of wireless technology

Cellular service continues to evolve as an important business tool and a convenient communications option for people on the go. Today, offices on wheels — complete with cellular phones, portable fax machines, computers and modems — help boost the productivity of businesses throughout the province.

SaskTel's cellular service, the most extensive in the province, and covering 80% of populated areas, was improved during the year when new cell sites were activated at Melville and Foam Lake. Coverage will be available along all of the Yellowhead Highway early in 1992 when a new cell site at Wynyard becomes operational.

Work is under way to upgrade SaskTel's cellular network in and around Regina and Saskatoon to a more advanced digital system by the end of 1992. The new system will accommodate both existing analog cellular phones and new digital units the corporation plans to introduce.

Advances in paging equipment in recent years have made this service more convenient and affordable to an ever-increasing number of customers. With the introduction of Page Plus in April, Saskatchewan residents travelling from coast-to-coast can now send and receive messages using this new national paging service. Currently available to customers in Regina and Saskatoon, this new wireless service will gradually be extended to other locations.

Another wireless service introduced to the Saskatchewan marketplace in 1991 was FleetNet 800, which provides a cost-effective way to dispatch voice or data communications to fleet vehicles. The new service enables customers such as trucking companies, construction firms and oil industry operations to stay in constant touch with employees regardless of their vehicle's location.

SaskTel is a member of a consortium researching another new service that has exciting opportunities for fleet vehicle operators and emergency response organizations. The NavTrax fleet management communications system uses satellite tracking technology to continuously pin-point a travelling vehicle's location to within 30 feet. In addition to providing two-way communications between central dispatch and drivers, a field safety system is also available that automatically alerts the central office computer when field personnel need help. The Calgary police department is taking part in a NavTrax technology field trial that began in August 1991. Other members of the consortium include Pulsearch Navigation Systems of Calgary, NovAtel and AGT Cellular.

In December the Saskatchewan Centre of the Arts became the first organization in the world to take part in a customer-based trial of Mitel's SX200 Light PBX. The latest generation of business switchboard was so well received that the Centre signed a contract with SaskTel for the new system. The Mitel switchboard, with features such as automated attendant and voice messaging, was custom-tailored to meet the Centre's specific needs.

"We're very pleased with the new system. It has improved our contact with customers, simplified communications and reduced the workload of our secretarial staff," says John Hill, Executive Director, Saskatchewan Centre of the Arts.

Innovative services

One of SaskTel's on-going goals is to harness and shape technological change to fulfil the ever-expanding needs of its customers.

Recent technological advances make it easier and more economical than ever before for businesses to conduct videoconferences among distant locations. Dramatic price reductions, improved picture and sound quality and new transmission equipment have all converged to make videoconferences an increasingly popular alternative to face-to-face meetings. By substituting live video conferences for business trips, customers realize significant savings in time and travel expenses.

With the introduction of dial-up videoconferencing to Saskatchewan, SaskTel customers can now conduct impromptu meetings at virtually any location equipped with two centrex access lines. Once the portable videoconferencing equipment is in place, the customer simply dials up the appropriate numbers and the meeting is under way. For customers with less frequent videoconferencing requirements, SaskTel's VideoForum rooms remain available at the Delta Regina and the Holiday Inn in Saskatoon.

SaskTel's leadership in innovative applications of fiber optic technology continued in 1991 with the introduction of a remote news gathering service network throughout Saskatchewan. The first commercial application of the new system took place during the October 21st provincial election. CBC television crews at several locations used the digital fiber optic network to transmit live, high-speed audio and video feeds to their broadcast news centres in Regina and Saskatoon.

Coincident with the on-going conversion to an all-digital telecommunications system is the gradual deployment of an evolutionary network architecture known as ISDN (Integrated Services Digital Network). ISDN makes it possible to digitally integrate and transport voice conversations, data communications and video signals over a single, transparent network which is more manageable and cost-effective for business users. In addition, ISDN provides the capacity and flexibility to support a host of new service applications. These include high-speed facsimile, high-resolution graphics, computer screen sharing, file transfer and a wide range of other services that provide businesses and institutions with cost-effective ways to streamline their communications and information systems.

At year end several ISDN trials were under way involving such organizations as the Regina Public School Board, the University of Saskatchewan and several small business customers. An ISDN demonstration centre in Regina was opened during the year to provide customers with a friendly "hands on" introduction to the new service.

In 1992 SaskTel will become the first telecommunications company in Canada to offer ISDN basic rate service. Six cities are scheduled to receive the new service in 1992, with expansion to four more cities planned for 1993.

Committed to excellence in education

SaskTel is a strong advocate of educational excellence. The corporation is taking an active role in a number of special projects designed to improve and expand learning opportunities.

For many years, SaskTel has been an industry leader in distance education projects at the university level. Both the

With MessageManager, customers need never miss an important phone call. SaskTel's new voice mail service is more versatile than an answering machine. Callers can leave a detailed message if their call is not answered. Their voice message is then stored in digital form for quick and convenient retrieval. North Battleford's CJNB Radio has found a unique application for the new service.

"We initially plan to use MessageManager to provide lottery numbers and sports scores to our listeners. Eventually we may record sports scores from local and district teams, which we will retrieve and use on air," says Harry Michael Dekker, Operations Manager, CJNB Radio.

University of Saskatchewan and the University of Regina continue to extend a variety of academic subjects to smaller communities and rural areas through video and audio links using satellites and the fiber optic network.

The Saskatchewan Communications Network (SCN) also uses SaskTel facilities to deliver programming on both its new cable network and its training network. The training network, one of the largest interactive satellite delivery systems in Canada, links more than 80 classrooms across the province and provides a wide variety of credit and career-oriented classes, as well as seminars and workshops.

Bridging the distance

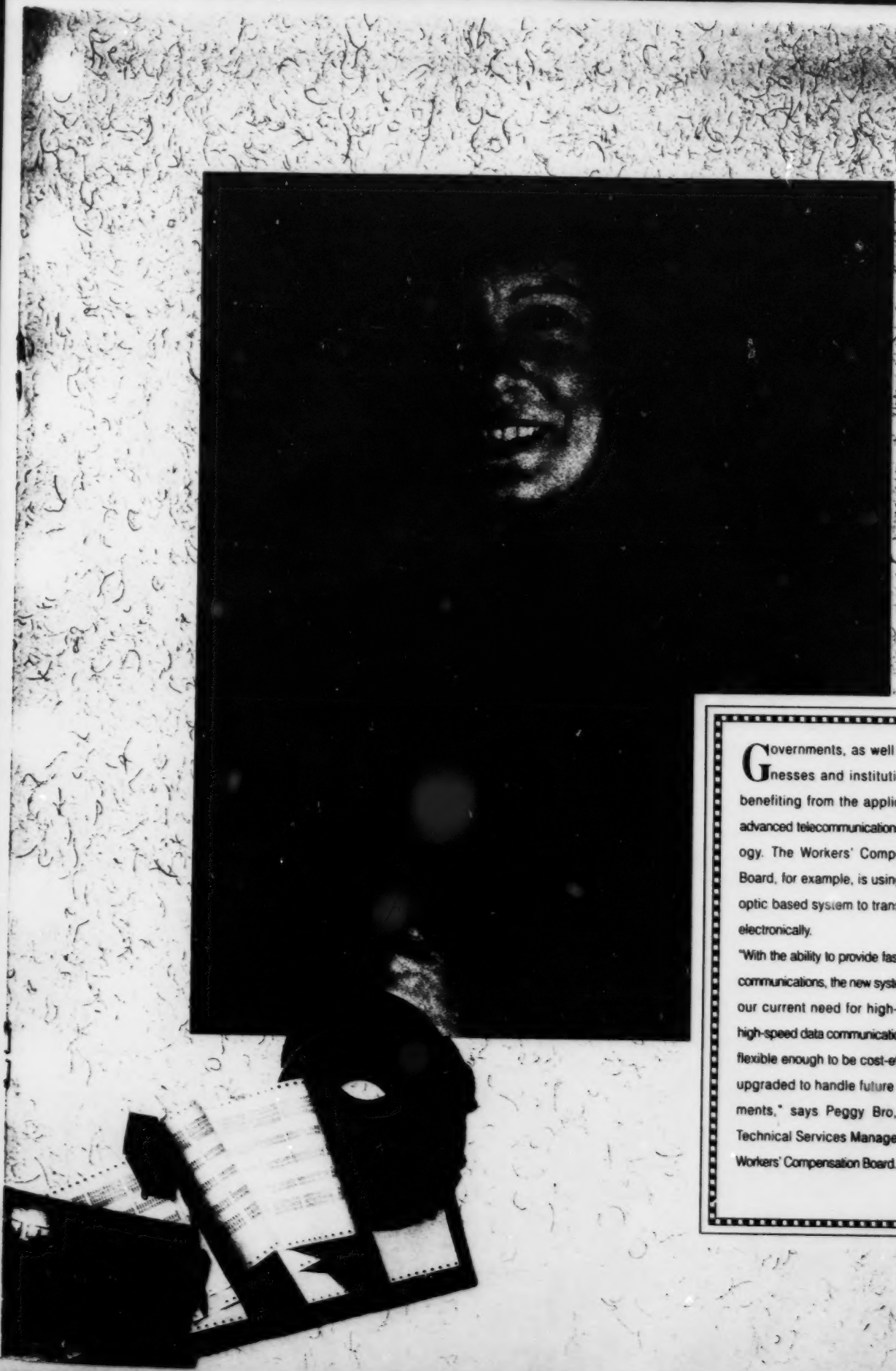
In September 1991 an innovative pilot project was launched in the Eston-Elrose School Division. Faced with declining enrollments and financial constraints, the division asked SaskTel for help. The solution recommended by SaskTel was a new telecommunications technology known as dial-up videoconferencing. The technology uses two centrex phone lines between participating locations to allow two-way interactive audio and visual communications to take place on a demand basis.

Initially the system was used to deliver a Grade 12 calculus class taught in Elrose to a classroom 43 kilometres away in Kyle. Students at both Elrose and Kyle were able to ask questions and interact spontaneously with each other and with the teacher. The system was also used to connect a trigonometry class in Elrose with a teacher and class in Kyle. The trial marked the first time in Canada that PictureTel equipment, which uses a technology known as compressed video, had been used for educational purposes. Due to the unqualified success of the pilot project, the school division is looking at expanding the role that videoconferencing can play in enhancing rural distance education opportunities at an affordable cost.

SaskTel, along with SCN, supports another educational project that has improved access to learning opportunities in the Eastend School Division. Each school in the division has been equipped with satellite receivers, speaker phones and fax machines. The new equipment enables the division, in conjunction with Saskatchewan Education's Correspondence School, to extend French and German language classes through two-way audio to students in Climax, Consul, Frontier and Eastend.

SaskTel and SCN are also participating in innovative "school of the future" projects in Viscount and Swift Current. In partnership with Apple Canada and Northern Telecom, the two schools were provided with state-of-the art computer equipment and linked to the province's distance education network. With the computer network and satellite links the students have the technical ability to communicate with people around the world. The project will help SaskTel and its partners learn more about the applications of advanced technology in the educational environment.

Besides supporting projects to improve learning opportunities in Saskatchewan schools, SaskTel financially assists research into the future applications of new telecommunications technologies. During the year, SaskTel and three other sponsors signed a partnership accord with Telecommunications Research Laboratories (TR Labs). The company's new world-class research facility in Saskatoon will be conducting research into advanced network access technologies. SaskTel's funding commitment of $2 million will be spread over a five-year period.



Governments, as well as businesses and institutions, are benefiting from the application of advanced telecommunications technology. The Workers' Compensation Board, for example, is using a fiber-optic based system to transfer data electronically.

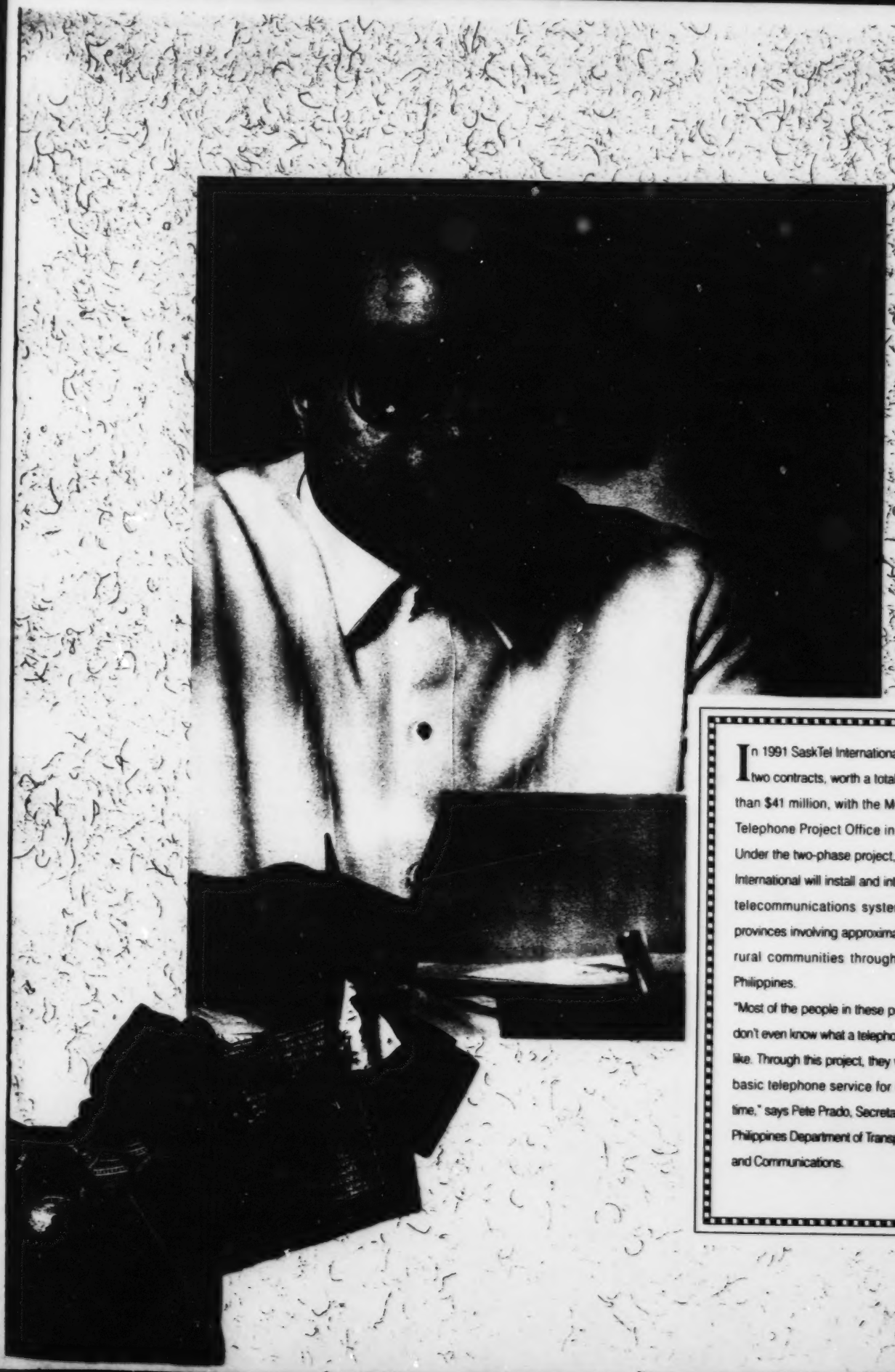
"With the ability to provide fast, reliable communications, the new system meets our current need for high-volume, high-speed data communications, yet is flexible enough to be cost-effectively upgraded to handle future requirements," says Peggy Bro, Acting Technical Services Manager for the Workers' Compensation Board.

Moving ahead globally

SaskTel International's successful experience in the global marketplace gives it a distinct advantage when bidding on consulting services, software sales, and when considering joint-venture investments. Throughout 1991 SaskTel International continued to pursue new opportunities around the world that capitalizes on SaskTel's technical expertise and management strengths. At year end, SaskTel International was involved in a number of projects to build, upgrade or expand telecommunications services:

- In May, SaskTel International signed a $22 million contract to install and integrate a rural telecommunications network in 10 provinces of the Philippines. Near the end of the year, another contract worth more than $19 million was signed for the second phase of the project. The project will provide approximately 250 rural communities throughout the Philippines archipelago with basic telephone service.
- MARTENS, the industry-leading telecommunications facilities management system, was selected by two more companies in the United States for trial evaluation during the year. In addition, MICA, the MARTENS International Clients Association, developed its first MARTENS software release 6.1. When used with SWITCHGATE 1.0, MARTENS provides telephone companies with the capability of instantly providing their customers with new or enhanced switched-based services.
- Under a contract with NovAtel Communications of Atlanta, Georgia, SaskTel International is installing and testing cellular radio sites throughout Canada and the United States. Through contracts with Northern Telecom, SaskTel International is commissioning leading-edge digital switching equipment at locations throughout the United States and advanced signalling networks in Puerto Rico.
- SaskTel International successfully project-managed the implementation of a new digital centrex system for the Ontario government. The system connects 30,000 telephone users at more than 120 locations in the Toronto area.
- Following the completion of a contract to evaluate the communications system for the 60 kilometre tunnel being built under the English Channel, SaskTel International received a second contract to provide a detailed system and management audit of the tunnel's Data Transmission System. In addition, SaskTel International continues to provide engineering assistance in the implementation phase of this project.
- In a joint-venture project in Africa, SaskTel International is nearing completion of a four-year, $10 million project to upgrade trackside telecommunications equipment and facilities for the Tanzania Railway Corporation.
- SaskTel's equity position in two projects in the United Kingdom offers the prospect of long-term financial benefits for SaskTel and valuable experience in the home entertainment industry. The first joint-venture project, with Fundy Cable of New Brunswick and John Laing plc of the UK, involves the construction and operation of cable TV and telecommunications facilities in the cities of Leicester and Loughborough. In a second, smaller project, SaskTel International and John Laing plc upgraded and now jointly operate a cable system in Skelmersdale, Lancashire.

In the years ahead, SaskTel International will continue to look for more ways to diversify globally while ensuring that these ventures make a positive contribution to the corporation's profitability.



In 1991 SaskTel International signed two contracts, worth a total of more than $41 million, with the Municipal Telephone Project Office in Manila. Under the two-phase project, SaskTel International will install and integrate a telecommunications system in 15 provinces involving approximately 250 rural communities throughout the Philippines.

"Most of the people in these provinces don't even know what a telephone looks like. Through this project, they will have basic telephone service for the first time," says Pete Prado, Secretary of the Philippines Department of Transportation and Communications.

Consolidated net earnings totalled $51.0 million for 1991, an increase of $4.1 million (8.8%) from 1990 earnings of $46.9 million.

Growth in business lines and long distance messages was not enough to offset revenue losses from continued inter-provincial long distance rate reductions and implementation of the in-province 40/40 plan. Operating revenues generated in 1991 were less than in 1990 (1.1% reduction) but the shortfall was more than offset by reductions in operating expenses (2.3%) and interest and related costs (7.0%). The costs associated with the enhanced retirement program also put downward pressure on earnings in 1991.

Operating revenues totalled $568.2 million for the year, down $6.3 million (1.1%) from 1990 revenues of $574.5 million.

Local service revenues, comprised primarily of charges for network access, service connection and equipment rental, totalled $165.0 million for the year, an increase of $13.8 million or 9.1% over 1990.

Total long distance service revenues were significantly affected by two additional inter-provincial rate reductions and revenue erosion from the in-province 40/40 plan. Long distance revenues decreased $24.6 million or 6.2% to $374.7 million for the year. Total long distance messages originating in the province to all destinations grew 9.8% to 162.0 million in 1991. The 40/40 plan provided some stimulation of in-province calling, however the sluggish economy contributed to slower growth in inter-provincial calling than in previous years.

In-province long distance service revenues totalled $174.2 million for the year, a decrease of $3.6 million or 2.0% from 1990. In-province long distance messages increased 9.3 million or 9.1% totalling 111.4 million messages for 1991.

Out-of-province long distance service revenues totalled $200.5 million for the year, a decrease of $21.0 million or 9.5% from 1990. The recession, increased competition in certain market segments, and two major rate reductions all contributed to the decline in revenues during 1991. Out-of-province long distance messages increased 5.2 million or 11.4% totalling 50.7 million messages for 1991.

Other operating revenues, including directory advertising, equipment sales and service, and rent revenues, totalled $32.4 million for the year, an increase of $4.4 million or 15.9% over 1990.

Total operating expenses decreased $9.9 million or 2.3% during the year totalling $424.8 million as cost containment initiatives were intensified in response to the effects of changing market conditions on operating revenues. Significantly reduced construction expenditures, fewer permanent employees throughout the year and cuts in discretionary expenditures all contributed to reductions in operating expenses during 1991.

Other income consists of interest income from long-term receivables, consolidated net sales generated by SaskTel International and income from long-term investments. The net loss for 1991 is due to the inclusion of SaskTel's proportionate share of ISM Information Systems Management Corporation (formerly Westbridge Computer Corporation) losses for the year.

Interest and related costs totalling $80.8 million decreased $6.1 million or 7.0% during 1991. Increased income from sinking funds, reduced costs of borrowing and a smaller construction program have all contributed to the savings in interest and related costs.

The unusual expenses consist of bridging costs and retirement allowances borne by the corporation pertaining to the enhanced retirement program announced in 1991.

Cash generated from operations totalled $177.6 million, an increase of 7.0% over 1990. Cash used for construction expenditures totalled $99.5 million, while $46.9 million was disbursed for payment of a dividend (based on 1990 earnings) to the Crown Investments Corporation of Saskatchewan. A dividend, based on 1991 earnings, has not been declared as at December 31, 1991.

Financing activities included long-term borrowing of $115.4 million from the Province of Saskatchewan to repay maturing short-term and long-term debt. Other financing activities included the receipt of $11.2 million as repayment of long-term receivables.

For the year ended December 31

	1991	1990	1989	1988	1987
Network access services**	**569,785**	562,179	553,137	540,884	531,929
Originated long distance messages					
(In thousands)					
Telephone	**134,845**	123,053	113,496	106,000	98,827
Data, and other voice services	**27,198**	24,490	21,951	19,763	18,345
Total messages	**162,043**	147,543	135,447	125,763	117,172
Finance					
(In thousands of dollars)					
Operating revenues	**$ 568,206**	$ 574,485	$ 553,513	$ 513,425	$ 469,548
Operating expenses	**424,769**	434,748	417,054	394,174	357,048
Other (losses) income	**(4,690)**	(858)	12,521	11,665	8,542
Interest and related costs	**80,822**	86,946	75,072	67,626	70,502
Net earnings	**51,017**	46,873	77,760	70,113	50,540
Dividend	**0**	46,873	38,880	70,113	25,270
Gross construction expenditures	**106,520**	155,960	177,906	163,355	153,515
Property, plant and equipment*	**1,673,228**	1,628,206	1,530,393	1,448,032	1,357,622
Long-term debt-gross*	**881,264**	840,162	852,804	759,195	772,140
Financial ratios					
Return on net assets	**12.3%**	12.5%	15.5%	15.2%	14.1%
Debt as a percent of year-end capital	**68.3%**	72.2%	69.0%	67.5%	74.1%
Internally generated funds as a percent of net construction expenditures	**131.3%**	84.9%	51.3%	73.0%	88.9%
Employees and payroll					
Number of employees*	**3,981**	4,216	4,373	4,525	4,508
Salaries earned (thousands of dollars)	**$ 168,991**	$ 172,346	$ 169,053	$ 166,893	$ 156,169

** Represents each working facility having primary connection to our network as at December 31

* At December 31

The financial statements which follow have been prepared by management in conformity with accounting principles generally accepted in Canada and have been examined and approved by the Board of Directors. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organization structure that segregates duties, and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit Committee, consisting solely of outside directors, which meets periodically with management as well as with internal auditors and the external auditors. The latter have free access to this committee to discuss their audit work and their opinion on adequacy of internal financial controls, and the quality of financial reporting.

D. R. Carlin
Executive Vice President

D. C. Schultz
Controller

Regina, Saskatchewan
February 26, 1992

To the Members of the
Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Telecommunications as at December 31, 1991 and the consolidated statements of operations, retained earnings and changes in cash position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1991 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Regina, Saskatchewan
February 26, 1992

For the year ended December 31

	1991	1990
	(Thousands of dollars)	
Operating revenues		
Long distance service	**$ 374,677**	$ 399,258
Local service	**165,043**	151,235
Other	**32,370**	27,938
Uncollectible operating revenues	**(3,884)**	(3,946)
	568,206	574,485
Operating expenses		
Maintenance and operations	**153,398**	161,662
Depreciation (Note 2)	**117,050**	114,298
General and administrative	**154,321**	158,788
	424,769	434,748
Net operating revenue	**143,437**	139,737
Other (losses) income (Note 3)	**(4,690)**	(858)
	138,747	138,879
Interest and related costs (Note 4)	**80,822**	86,946
Net earnings, before unusual expenses	**57,925**	51,933
Unusual expenses (Note 5)	**(6,908)**	(5,060)
Net earnings	**$ 51,017**	$ 46,873

For the year ended December 31

	1991	1990
	(Thousands of dollars)	
Retained earnings at beginning of year	**$ 38,880**	$ 77,760
Net earnings	**51,017**	46,873
	89,897	124,633
Dividends	**–**	85,753
Retained earnings at end of year	**$ 89,897**	$ 38,880

See accompanying notes

As at December 31

	1991	1990
	(Thousands of dollars)	
Assets		
Property, plant and equipment (Note 6)	$ 985,300	$ 998,262
Deferred charges (Note 7)	8,615	8,009
Investments (Note 8)	16,477	22,864
Investment in leases (Note 9)	9,426	12,247
Notes receivable (Note 10)	8,383	20,973
	1,028,201	1,062,355
Current assets		
Short-term investments, at cost (market value $40,896,000)	40,492	–
Accounts receivable	74,569	86,011
Inventory for resale	9,375	8,873
Prepayments	9,522	10,487
	133,958	105,371
	$ 1,162,159	$ 1,167,726
Liabilities and Province's equity		
Long-term debt		
Province of Saskatchewan (Note 11)	$ 619,002	$ 527,169
TeleBonds (Note 12)	92,615	95,615
Obligations under capital leases (Note 13)	12,180	13,860
	723,797	636,644
Province of Saskatchewan's equity		
Equity advance (Note 14)	250,000	250,000
Retained earnings	89,897	38,880
	339,897	288,880
Current liabilities		
Bank overdraft	3,389	2,972
Accounts payable	59,189	50,584
Accrued interest	18,878	21,401
Notes payable	–	44,305
Dividend payable	–	46,873
Service billed in advance	7,263	7,022
Current portion of long-term debt (Notes 11, 12)	9,746	69,045
	98,465	242,202
	$ 1,162,159	$ 1,167,726

Approved by the Board

Hon. Carol Teichrob

See accompanying notes

For the year ended December 31

	1991	1990
	(Thousands of dollars)	
Cash from operations		
Net earnings	**$ 51,017**	$ 46,873
Add: Items not affecting cash (Note 15)	**108,320**	110,442
	159,337	157,315
Net change in working capital (Note 16)	**18,229**	7,662
Cash generated by operating activities	**177,566**	164,977
Cash from financing		
Proceeds from long-term debt	**115,360**	–
(Repayment of) proceeds from notes payable	**(44,305)**	27,005
Proceeds from notes receivable	**11,191**	–
Repayment of long-term debt	**(67,332)**	(4,754)
Dividend payment	**(46,873)**	(38,880)
Cash used in financing activities	**(31,959)**	(16,629)
Cash for construction		
Gross construction expenditures	**(106,520)**	(155,960)
Change in material and supplies	**1,455**	2,881
Net salvage, capital contributions and other items not requiring cash	**5,528**	5,300
Cash used in construction activities	**(99,537)**	(147,779)
Cash for investments		
Leicester Communications Limited	**(5,995)**	(630)
Increase (decrease) in cash during the year	**40,075**	(61)
Bank overdraft at beginning of year	**(2,972)**	(2,911)
Cash and investments (bank overdraft) at end of year	**$ 37,103**	$ (2,972)
Comprised of:		
Short-term investments	**40,492**	–
Bank overdraft	**(3,389)**	(2,972)
	$ 37,103	$ (2,972)

See accompanying notes

Saskatchewan Telecommunications
December 31, 1991

Note 1 — The corporation

Saskatchewan Telecommunications (SaskTel), a provincially owned Crown Corporation, markets and supplies a range of voice, data, text and image products, systems and services. Its membership in Telecom Canada enables it to extend its services throughout Canada and to connect its customers to the rest of the world.

The financial results of the corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan. As a Crown Corporation, SaskTel is not subject to Federal or Provincial income tax.

On December 21, 1991, legislation was passed (but not proclaimed) to establish the Saskatchewan Telecommunications Holding Corporation.

Note 2 — Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and in conformity with prevailing practices in the Canadian telecommunications industry.

Consolidation

The consolidated financial statements include the accounts of the corporation's wholly-owned subsidiaries, Saskatchewan Telecommunications International, Inc. and Nu-Net Communications Ltd. All significant intercompany transactions and balances have been eliminated.

Property, plant and equipment

Property, plant and equipment is recorded at original cost and includes materials, services, direct labour and associated benefit costs, which are readily quantifiable and identifiable with the construction activity. In addition, the corporation includes the cost of funds used to finance construction, based on the size and duration of the projects.

Deferred charges

Discount and issue expenses relating to long-term debt and TeleBonds are deferred and amortized on a straight-line basis over the term of the respective debt issue.

Investments

Investments in companies in which the corporation has significant influence are accounted for by the equity method. Accordingly, the corporation's proportionate share of earnings or losses are recognized in the consolidated statement of operations and added to or subtracted from the carrying value of the investment.

The corporation's portfolio investments are carried at cost and dividend income is recognized when received.

Depreciation

Depreciation is computed on the straight-line, equal-life group method using rates as determined by a continuing program of engineering studies for each class of property in service.

When depreciable telecommunications property is retired, the original cost of such property, adjusted by any disposal proceeds and costs of removal, is charged to accumulated depreciation.

Pension costs

The cost of pension benefits earned by employees who are members of the corporation's defined benefit plan is determined using the accrued benefit method prorated on service and is charged to expense as services are rendered. This cost reflects management's best estimate of the plan's expected investment yields, salary increases, mortality of members, terminations and the ages at which members will retire.

This plan is actuarially valued at least every three years. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees who are members of the defined benefit plan.

Foreign currency translations

Monetary assets and liabilities denominated in foreign currencies are stated in Canadian dollars at the foreign exchange rates prevailing at December 31. Foreign exchange gains or losses arising on translation are included in deferred charges and amortized on a straight-line basis over the remaining life of the related assets and liabilities. Revenues and expenses are translated at rates prevailing at the respective transaction dates.

Leases

Where the corporation is the lessor, rental revenues from operating leases are recognized as service is rendered to customers. Revenues from sales-type lease transactions are recognized at the inception of the lease. The investment in sales-type leases represents the present value of future lease payments receivable. Finance income is recognized in a manner which produces a constant rate of return over the term of the lease contract.

Where the corporation is the lessee, assets recorded under capital leases are amortized on a straight-line basis over their expected useful life. Obligations recorded under capital leases are reduced

by lease payments net of imputed interest. All other leases are accounted for as operating leases.

Inventories

Materials, supplies and inventory for resale are recorded at the lower of cost and net realizable value. Cost is determined using an average-cost basis.

Note 3 — Other (losses) income

	1991	1990
	(Thousands of dollars)	
Interest income	$ 4,434	$ 5,790
Share of ISM Information Systems Management Corporation (ISM, formerly Westbridge Computer Corporation) losses (Note 8)	(11,889)	(9,669)
Other	2,765	3,021
	$ (4,690)	$ (858)

Note 4 — Interest and related costs

	1991	1990
	(Thousands of dollars)	
Interest expense	$ 104,189	$ 102,333
Amortization of discount	1,198	1,150
Amortization of unrealized net foreign exchange losses	(514)	(1,493)
	104,873	101,990
Less: Sinking fund earnings	18,003	13,561
Interest charged to construction	959	1,386
Interest on temporary cash investments	5,089	97
	$ 80,822	$ 86,946

Note 5 — Unusual expenses

The unusual expenses consist of bridging costs and retirement allowances borne by the corporation pertaining to the enhanced retirement program announced in 1991.

In 1990, a loss of $5,060,000 resulted from a write-down of the carrying value of ISM shares in excess of underlying net assets.

Note 6 — Property, plant and equipment

	1991	1990
	(Thousands of dollars)	
Buildings, plant and equipment	$ 1,602,978	$ 1,564,837
Land	8,879	8,760
Plant under construction	19,028	14,347
Materials and supplies	11,506	12,961
Assets under capital leases	30,837	27,301
	1,673,228	1,628,206
Less: Accumulated depreciation	687,928	629,944
	$ 985,300	$ 998,262

The composite depreciation rate on the average depreciable telecommunications property in service was 7.43% in 1991 (7.49% in 1990).

As at December 31, 1991, the ratio of accumulated depreciation to depreciable telecommunications property was 42.1% (39.6% in 1990).

Note 7 — Deferred charges

	1991	1990
	(Thousands of dollars)	
Unamortized discount on long-term debt	$ 4,611	$ 3,343
Unamortized unrealized net foreign currency losses	2,523	2,501
Unamortized TeleBond issue costs	1,481	2,165
	$ 8,615	$ 8,009

Note 8 — Investments

	1991	1990
	(Thousands of dollars)	
Accounted for by the equity method:		
Investment in ISM	$ 8,960	$ 20,849
Investment in Leicester Communications Limited (Leicester)	6,265	640
Other	253	376
Portfolio investments at cost:		
Telesat Canada	999	999
	$ 16,477	$ 22,864

During 1991, ISM issued additional common shares to IBM Canada Limited and International Semi-Tech Microelectronics Inc., reducing SaskTel's ownership to 26.2% as at December 31, 1991 (58.9% at December 31, 1990).

On March 31, 1991, ISM recorded losses from discontinued leasing and personal computer operations, asset writedowns and provided for further reorganization costs totalling $29,545,000. SaskTel's proportionate share of these losses is included as a reduction to other (losses) income (Note 3). As at December 31, 1991, the closing ISM share price on the Toronto Stock Exchange was $7.12 ($2.50 at December 31, 1990).

Included in the investment in Leicester are costs in excess of underlying net assets ($963,000) which are being amortized over 5 years commencing September 1, 1991, and loans to Leicester in the form of Zero Coupon Subordinated Unsecured Bonds ($2,468,000) due in December, 1996. As at December 31, 1991 the corporation has a 30.7% interest in Leicester (25.7% in 1990).

Note 9 — Investment in leases

	1991	1990
	(Thousands of dollars)	
Total minimum lease payments receivable	$ 17,951	$ 24,246
Less: Unearned finance income	5,077	7,107
Investment in leases	12,874	17,139
Less: Current portion included in accounts receivable	3,448	4,892
	$ 9,426	$ 12,247

Finance income earned during the year amounted to $2,204,000 ($2,683,000 in 1990).

Note 10 — Notes receivable

	1991	1990
	(Thousands of dollars)	
Cable operators, primarily due in 1996	$ 6,633	$ 20,636
11% ISM debenture, due January 1, 1995 (1990 - January 1, 1992)	1,800	1,800
11% DirectWest Publishers Ltd., due April, 1996	1,420	1,698
	9,853	24,134
Less: Current portion included in accounts receivable	1,470	3,161
	$ 8,383	$ 20,973

Note 11 — Long-term debt, Province of Saskatchewan

Rate (%)	Issue date	Due date	1991		1990
			(Thousands of dollars)		
7.000	1971	1991	$ –	(b)	$ 9,461
17.840	1981	1991	–		59,600
7.403	1972	1992	15,093	(b)	15,093
7.563	1973	1993	8,644	(b)	8,644
13.375	1981	1996	73,955		73,955
7.750	1973	1998	5,000		5,000
8.250	1973	1998	15,000		15,000
10.000	1974	1999	25,000		25,000
11.750	1980	2000	25,000		25,000
9.875	1975	2000	2,222		2,222
10.250	1976	2001	25,000		25,000
9.000	1977	2002	25,000		25,000
13.000	1982	2002	75,000		75,000
12.250	1983	2003	25,000		25,000
9.500	1978	2003	30,000		30,000
11.650	1983	2003	8,182	(b)	8,182
12.966	1984	2004	28,956	(b)	28,956
10.000	1979	2004	40,000		40,000
9.583	1986	2006	32,598	(b)	32,598
8.700	1976	2006	57,440	(a)	57,678
10.241	1987	2007	13,597	(b)	13,597
8.625	1977	2007	53,316	(a)	53,538
9.250	1978	2008	53,137	(a)	53,358
10.092	1988	2008	20,779	(b)	20,779
9.375	1991	2020	115,550	(a)	–
			773,469		727,661
Less: Equity in sinking funds			147,721		134,473
Due within one year			6,746		66,019
Net long-term debt – December 31			$ 619,002		$ 527,169

(a) Represents long-term debt repayable in U.S. dollars having a U.S. face value of $241,837,000 converted to $265,523,000 Canadian at the time of issue. It is recorded in Canadian dollar equivalent of $279,443,000 based on the foreign exchange rate as at December 31, 1991 of 1.1555 (1.1603 in 1990).

(b) Long-term debt totalling $127,849,000 received through the Canada Pension Plan under 20-year terms, is subject to redemption at six months notice.

(c) Under conditions attached to a portion of long-term debt, the corporation is required to pay annually into sinking funds administered by the Province of Saskatchewan, amounts ranging from 1% to 3% of the original value of long-term debt received. The equity shown includes investments denominated in U.S. dollars held in the fund having a U.S.

dollar value of $4,012,000 recorded at $4,636,000 Canadian dollar equivalent based on the foreign exchange rate as at December 31, 1991.

(d) Total sinking fund instalments, estimated TeleBond redemptions and long-term debt repayments (net of sinking fund equity) on outstanding debt over the next five years are as follows:

1992 — $ 9,746
1993 — $ 9,672
1994 — $ 95,366
1995 — $ 5,366
1996 — $ 79,321

Note 12 — TeleBonds

Series Type	Rate	Issue Date	Maturity Date	1991	1990
				(Thousands of Dollars)	
Interest Bond	11.0	1989	1994	$ 62,577	$ 63,770
Credit Bond	14.0	1989	1994	33,038	34,871
				95,615	98,641
Due within one year				3,000	3,026
Net TeleBonds — December 31				$ 92,615	$ 95,615

Interest TeleBonds pay interest annually on March 1st until maturity. Credit TeleBonds pay interest monthly by way of credit to the designated customer's telephone account.

Repayment of TeleBond principal and interest is unconditionally guaranteed by the Province 6f Saskatchewan. The rate of interest may be increased at the discretion of the corporation. TeleBonds are redeemable in whole or in part at the discretion of the bondholder on March 1 each year prior to maturity.

Note 13 — Commitments

(a) Construction

As at December 31, 1991 the corporation was committed in the amount of approximately $4,000,000 for equipment and services relating to switching equipment modernization.

In 1989, the Board of Directors approved an investment of up to $10,796,000 (£5,000,000) in Leicester Communications Limited of Great Britain. The commitment pertains to construction of cable television facilities.

(b) Leases

The future minimum lease payments under the capital and operating leases of the corporation, together with the obligations under capital leases after deducting interest on the minimum lease payments, are as follows:

	Capital leases	Operating leases
	(Thousands of dollars)	
1992	$ 7,680	$ 28,273
1993	8,708	26,184
1994	4,633	25,712
1995	270	15,993
1996	74	6,274
Total minimum lease payments	21,365	$ 102,436
Less: Amount representing interest	3,373	
Current portion included in accounts payable	5,812	
Obligations under capital leases	$ 12,180	

Capital leases cover computer equipment and data terminals leased from ISM and Telecom Leasing Canada Limited through contracts maturing at various dates from 1992 - 1996. The major portion of the operating lease commitment relates to a facilities management agreement with ISM over a seven year period ending in 1995. Other commitments are for vehicles, buildings and satellite channel leases.

(c) Guarantees

The corporation has guaranteed the indebtedness of ISM to the Royal Bank of Canada to a maximum of $5,000,000.

Note 14 — Equity advance

The equity advance was received from Crown Investments Corporation of Saskatchewan (CIC), representing the Province of Saskatchewan's contributed equity in SaskTel. The advance is non-interest bearing and repayable at the discretion of CIC.

Note 15 — Items not affecting cash

	1991	1990
	(Thousands of dollars)	
Depreciation expense	$ 117,050	$ 114,298
Sinking fund earnings	(18,003)	(13,561)
Investment losses	11,889	9,669
Interest charged to construction	(959)	(1,386)
Other	(1,657)	1,422
	$ 108,320	$ 110,442

Note 16 — Net change in working capital

	1991	1990
	(Thousands of dollars)	
Decrease (increase) in current assets:		
Accounts receivable	$ 11,442	$ (1,830)
Prepayments	965	(1,453)
Inventory held for resale	(502)	(1,205)
Increase (decrease) in current liabilities:		
Accounts payable	8,607	12,510
Accrued interest	(2,524)	(821)
Service billed in advance	241	461
	$ 18,229	$ 7,662

Note 17 — Pension plans

The corporation maintains pension plans which provide retirement benefits for essentially all employees.

A defined benefit plan is maintained for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees (Government Contributory) Superannuation Plan by October 1, 1978. This latter plan is a defined contribution plan, its funding requirements are established by the Superannuation (Supplementary Provisions) Act and employee contributions are matched by the corporation.

The defined benefit plan provides for pensions at retirement which are based on employees years of service and their highest five years earnings. The plan requires contributions from both employees and the corporation. The corporate contribution rate of 100 percent of employee contributions is based on the latest actuarial valuation of the plan (December 31, 1990).

	1991	1990
	(Thousands of dollars)	
Plan assets at market related value	$ 407,313	$ 384,822
Present value of accrued pension benefits	393,146	363,126
Surplus	$ 14,167	$ 21,696

	1991	1990
	(Thousands of dollars)	
Pension expense for the year was as follows:		
Defined benefit plan	$ 717	$ 2,093
Defined contribution plan	4,151	4,307
	$ 4,868	$ 6,400

Note 18 — Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown - controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlements are described separately in the financial statements and notes.

Note 19 — Comparative financial information

Certain 1990 balances have been reclassified to conform with the current year's presentation.

Directors

(At year end)

Hon. Carol Teichrob, Chairperson
Saskatoon

Hon. Darrel Cunningham, Vice Chairperson
Canora

Hon. Dwain Lingenfelter
Regina

Hon. Louise Simard
Regina

Executive officers

Marcel Bernard
President and
Chief Executive Officer

David R. Carlin
Executive Vice President

Moe Hawrysh
Acting Vice President
Engineering

John C. Meldrum
Vice President and Corporate Counsel

Diana Milenkovic
Corporate Secretary

Garry Simons
Vice President
Human Resources, Supplies and Services

Tom S. Hope
President
SaskTel International

Senior operating managers

Dave Birnie
General Manager
Supplies and Services

Doug Campbell
General Manager
Systems and Methods

Brien Charlton
General Manager
Marketing

Basil Ciepliski
General Manager
Mobile Communications

Gord Farmer
General Manager
Operations North Districts

David Harvey
General Manager
Information Technology Management

Betty Hoffart
Treasurer

Ron Luebke
General Manager
Operations Saskatoon

Stacey Sandison
General Sales Manager

Don Savaria
General Manager
Public Affairs and Advertising

David Schultz
Controller

Norm Stepan
General Manager
Policy, Rates and Regulatory Affairs

Rike Wedding
General Manager
Operations South Districts

Bill Wendel
General Manager
Operations Regina